GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:170
ANSWERED ON:12.12.2003
FOREIGN EXCHANGE RESERVE
JAGMEET SINGH BRAR

Will the Minister of FINANCE be pleased to state:

(a) Whether the Government is aware that the Chief Economist of International Monetory Fund at the Annual Meeting of the World Bank and IMF advised the emerging Asian economies that foreign exchange reserve beyond prudent norms is poor policy for the economy of the country and the world;

(b) if so, Government`s reaction thereto;

(c) Whether the Government propose to utilize the foreign exchange reserve beyond prudent norms; and

(d) if so, the details thereof?

Answer

MINISTER OF FINANCE (SHRI JASWANT SINGH)

(a) to (d) : A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a),(b),(c) & (d) OF LOK SABHA STARRED QUESTION NO.170 FOR 12TH DECEMBER,2003 REGARDING FOREIGN EXCHANGE RESERVE.

(a): Yes, Sir.

(b): According to RBI India`s approach to the management of Foreign Exchange Reserves duly reflects the changingcomposition of balance of payments and liquidity risks associated with different types of flows. India`s foreign exchange reserves are at present comfortable and consistent with the rate of growth, share of the external sector in the economy and the size of risk adjusted flow.

(c) & (d): The policy for reserve management is judiciously built upon a host of identifiable factors and other contingencies which inter alia include size of the current account deficit; the size of short-term liabilities, the possible variability in portfolio investment and other types of capital flows, pressures on the balance of payments arising out of external shocks and movements in the repatriable foreign currency deposits of Non Resident Indians (NRIs).